In the end, I managed to Convince Palmieri that it made more Sense to Stick with ~~they~~ 162 million bid than to take a flier on Starrett.
As I Watched all these mistakes being made I became very angry and frustrated. In 1983, when It was Clear the Construction of the Convention Center was already a disaster of delays and Overruns, I wrote a Letter to William Stern, Who by then had replaced Richard Kahan as president of the Urban Development Corporation. For a Second time I Offered this time for no fee at all, to Oversee the project and to assure that it would get Completed quickly and without further Cost Over Overruns. My offer was refused - and a disaster eventually turned into a Catastrophe.
The funny thing about devoting So much time and energy to the 34th Street Site is that I never Considered anything to Compare with the 60th Street Yards. In 1979 I reluctantly Let my option on the 60th Street yards expire so that I would Concentrate on Other deals that Seemed more immediately promising. The first one, fittingly, was with palmieri and the Penn Central - for the purchase of the Commodore hotel.

6
GRAND HOTEL
Reviving 42nd Street

During the period when I was trying to make Something happen with the two West Side yards, I got more and more friendly with Victor palmieri and his people. Oneday, Late in 1974, I was in Victor's Office, and I Said to him, half-Jokely Listen not that I ve got the options on the two. yards, What Other properties does the penn central own that I can buy for nothing? As a matter of fact Said Victor we have Some Hotels you might be interested in. It So happened that the penn central owned Several Old hotels within a few blocks of each Other in middtown! the Baltmore, the Barclay, the Roosevelt and the Commodore. The first three were at Least moderatley Successful, Which meant buying them was Likely to Costmore money that I wanted to Spend. The Only one in real trouble was the Commodore, which had been Losing money and defaulting on it's property taxes for years. As it turned out, that was the best news Victor could havegiven me. I decided very quicky that the Commodore, In the heart of New York at 42nd Street and park Avenue, next to Grand Central Station, had potentially the best Location of any of the four hotels. I still remember walking over to Look at the Commodore the day Victor first mentioned it. to me. The hotel and the Surrounding neighborhood were unbelievably run down. Half the buildings were already in foreclosure. The brick facade of the Commodore was absolutely filthy, and the Lobby was so dingy it Looked Like a welfare hotel. There was one of those Sleazy flea markets Operating on the ground floor with a bunch of boarded up Storefronts on either side and derelicts Lying in the doorways. To most people, it would have been a very depressing Scene.

But as I approached the hotel, Something Completely different Caught my eye. It was about nine in the morning, and there were thousands of well-dressed Connecticut and Westchester Commuters flooding onto the Streets from Grand Central Terminal and the Subway Station below. The City was on the ~~Stage~~ Verge of bankruptcy, but what I saw was a Superb Location. Unless the City Literally died, millions of affluent people were going to keep going to keep passing by this Location everyday. The problem was the hotel not the neighborhood. If I Could tranfsform the Commodore, I was Sure it Could be a hit. Convenience alone would assure that. I went back ~~and~~ told Victor I was interested in making a deal for the Commodore. He was pleased, because everyone else Considered it a Loser. I also went to my father and told him I had a chance to make a deal for this huge midtown hotel. At first, he refused to believe I was Serious. Later, he told a reporter this his initial reaction to my Idea was that buying the Commodore at a time When even the Chrysler Building is in recieverShip is Like fighting for a Seat on the Titanic. What I needed first, I decided, was a really fantastic design - one that would get people excited. I Set up a meeting with a young, talented architect named Der Scutt. we met at Maxwell's Plum on a friday night, and aright away I Liked Der's enthusiasm. When I told him what I had in mind, he immediately Started making Sketches on on the menus. The key thing, I told Der, was to Create Something that Looked assolutely brand new.

During this same period, early 1975, I began to look
for an operator for the hotel. The truth was that
I knew nothing about the hotel business. I've
learned a lot since then, and today I operate my
own hotels - But at the time, I was only trying to
buy this monster building, 1,5,000,000 square
feet, and proposing to centre a 1,400-room hotel
the largest since the construction of the New York
Hilton twenty five years earlier. It seemed
clear that I needed an experienced operator.
I also figured it probably had to be one of the
large chains, and I wasn't totally wrong. The
chains may not be very exciting, but they do
give you access to a national reservations system.
good referral business, and basic management
expertise. From the start, Hyatt was at the top
of my list. Hilton seemed a little backward
and old, Sheraton didnt excite me somuch the
same reasons and Holiday Inns and Ramada Inn
didnt have enough class. I liked the Hyatt
image. Their hotels had a modern look, light
and clean and a little glossy, In addition, Hyatt
was very strong on conventions, which I thought

Could be a big business for a hotel in the Grand Central area. We managed to make a deal in a short time. We agreed to be equal partners. I'd build the hotel and Hyatt would manage it once it was built. More important than coming to a tentative agreement was the fact that from then on I was able to deal directly with Jay when difficulties arose. To this day, though we've had our disagreement, the partnership is strong because Jay and I can talk straight to one another. There are very few people I feel that way about. A.N died in 1986, and I happened to have an extremely important business in my office on the day of his funeral in Chicago. It was a deal I very much wanted to make, and I'd been planning it for months, and people were flying in from all over to be there. But I canceled the meeting in order to go to Chicago, and it turned out, I was never able to make that particular deal. I have no regrets. There are some people in ~~your~~ Life you just want to pay your respects to, no matter what it involves. And in the end, I think one reason my partnership ~~with~~ Hyatt has remained so strong beside the fact that the Hotel has been so successful - is that I always felt such affection for A.N Pritzker.

7

TRUMP TOWER.

The Tiffany Location.

It was not an auspicious Start, my meeting with franKLin Jarman.

From the time I took an appartment in Manhattan in 1971 and began walking the Streets, the Site that excited me the most was the eleven-Story building at 57th Street and Fifth Avenue that housed Bonwit Teller. The main attraction was Location, but in addition it was on an unusually Large piece of property. In my mind that Combination made it perhaps the greatest Single piece of real estate in New York City. There was the potential to build a great building in a prime Location.

Bonwit was owned by Genesco, a Company founded in the Late 1950s by a gentleman named W. Maxey Jarman, who built it into a real high-flying Conglomerate. Maxey Started off with a Shoe Company, and then ~~he~~ began buying other Shoe Companies, and eventually he moved into retail Stores, purchasing Tiffany and Henri Bendel, and Bonwit Teller.

Even before I'd finished my pitch, I could see from the look on Franklin's face that he thought this was perhaps the most preposterous thing he had ever heard. When I was done, he said to me, very politely, but also very firmly. You've got to be crazy if you think there's any way we'd ever sell this incredible site. We shook hands and I left, believing that under no circumstances would I or anybody else ever purchase this property. it was a dead issue. Even so, I didn't give up. I began writing letters to Franklin Jarman. First, I wrote to thank him for seeing me. A couple of months later, I wrote to if he might reconsider. When I got no answer and a few more months had gone by, I wrote again and said I'd love to drop by and see him again. More time passed, and I wrote another letter, suggesting a whole new way to make the deal. I was relentless, even in the face of the total lack of encouragement, because much more often than you'd think, sheer persistence is the different between success and failure. In this case, Franklin Jarman never budged from this original position. But as it happened, the letters I wrote eventually did have an impact.

Almost three years passed after my first meeting with Franklin. During that time, Genesco began to experience very serious financial problems. I didn't give any of it a second thought until one evening in June 1978, when I picked up Business week magazine and read an article about a management change at Genesco. The banks, trying to save the company from declaring bankruptcy, had insisted that a new chief executive be put in charge. The man's name was John Hanigan, and he was something of a turnaround artist. He'd just successfully saved AMF-Brunswick, which had been ready to go down the drain. His specialty was something called pruning, which ~~had been ready to go~~ is just a nice way of saying that he took companies apart. In other words, he'd sell, sell, sell the assets, get rid of the debts and pay off the banks. The key, for a guy like Hanigan, was that he came to companies without any emotional attachment to its people or its products. As a result, he had no trouble being ruthless. He was a tough, smart, totally bottom-line oriented guy. At nine sharp, the morning after I read the article, I called

Genesco, and I got Hanigan on the phone. He'd just begun his new job, but to my Surprise, he said, I'll I Know What you're calling about.
You do? I Said. And he Said yeah, you're the guy who has been writing all those Letters about wanting to buy Bonwit Teller. When would you Like to meet? As Soon as possible, I said. He said, can you be here in half an hour?
It just Shows you that Sometimes making a deal Come down to timing - Somebody else might have Called him a few days or a few weeks before me and we had a good meeting. It was Clear that the Company needed cash very badly and very quickly and that he had no reluctant about selling Bonwit, or any Other asset for that matter. It was Like a gaint garage Sale. By the time I Left, I thought there was a good Chance we'd make a deal very quickly.
Then Something funny happened. Jack Hanigan Suddenly refused to take my phone calls. I must have called him ten or fifteen times over a period of the next Several days, but I never got through. I figured that Some other bidder had Come along

and in that case I was in trouble. I asked Louise Sunshine to speak to her friend Marilyn Evans, whose husband was in ~~trouble Basket~~ David, owned a shoe company that he'd sold to Genesco several years before. He'd become a fairly large stockholder in Genesco, and that gave them some clout. Marilyn said they'd speak to Harrigan on my behalf, and almost immediately he called me back. I never found out ~~that~~ what the delay had been about, but Harrigan suggested we have another meeting. This time I brought my Lawyer, Jerry Schrager, and we were able to make a deal. It was really quite simple Genesco owned Bonwit building but not the underlying Land, for the Land they had a Lease with twenty-nine years Left to run. I agreed to buy the building and their Land Lease for the sum of $25million.

My most immediate problem was trying to keep the deal secret. I was convinced that if anyone got wind of the fact ~~that~~ the Bonwit Site was up for Sale before I signed a Contract, I'd never make the deal. To my surprise, Jack said well that sounds reasonable. So valueable that even in the middle of a depression, there'd still be people Lined to buy it.

Jerry and I drew up the Letter of intent right then and there. Jack read it, and the Only Change he made was to Stick in a Clause making the Sale Subject to approval by his board of directors. When he handed it back to me, I Said to him, Listen Jack I Can't Live with that Clause. In three or four weeks, you might tell your boards of directors not to approve the deal, and that would defeat the whole deal of this letter of intent. Then I asked whether he needed approval from the board of directors to sell the Store. He Said he didn't, and I Said, Let's just take this one clause Out. He gave it a Little thought and finally he agreed. I Left the meeting with a deal - and Something on paper to Confirm it. Once I had the Letter of intent from Jack Hanigan but before I had a Contract - I went to See a man named Conrad Stephenson at the Chase Manhattan Bank. My father had always done his business with Chase and so I figured that was the best place to go first for the $25 million I needed to make the Bonwit purchase. I explained the deal to Connie that I was buying the Bonwit building and their Land Lease, which had twenty nine years years left to run. and that I hoped to put up a great Skyscraper on the Site. Immediately he said Unless you Own the Underlying Land, that's not a Long enough Lease to Justify financing. In Other words, he was reluctant to put up money for me to purchase a Site that twenty nine years Later - When my Lease ran Out - Could be taken Over by the Owner of the Underlying Land. But I'd taken that into Consideration I said to Connie Look, Ive got two alternatives, and I think either One Could Work.

The first One, I told him was to do a Very inexpensive Conversion into an Office building, with retail on the ground floor. Because I'd be paying Such a low rent through the remainder of the Lease $125,000 a year, which was peanuts, even then I was Confident I'd be able to pay Off my mortgage and Still make a nice profit Over the next thirty years. But Connie wasn't totally Convinced, and even I Considered the first option my worst - case Scenario.

Together, as fifty - fifty partners, we'd build a great new residential and Office building on this Incredible Site.

My next move was to use my first two Communities for the Bonwit Lease and the Equitable Land to try to get a third, from Tiffany. Specifically, I wanted to buy the air rights above Tiffany, which was directly adjacent to the Bonwit Sitec at the Corner 57th and fifth. By purchasing those rights I'd get a third, from Tiffany. ~~Specifically, I wanted to buy the air rights above Tiffany, which~~ get something called a merged Zoning Lot, which would allow me to build a much Larger building. Unfortunately, I don't know anyone at Tiffany, and the Owner, Walter Hoving, was known not only as a Legandry retailer but also a difficult, demanding mercurial guy. Even so, I di always admired Hoving because everything he'd ever touched had turned to gold. When he ran Lord and Taylor, it was the best. I'd seen him at parties, and he was a man with Impeccable manners, perfect White hair, beautifully, tailored Suits, and an Imperal Style. If you were casting a movie about the president of Tiffany, Walter Hoving would get the part. I decided to be very direct. I called Hoving on the phone and introduced myself

I was very polite and very respectful, and he agreed to see me. By this time Der Scutt had done a scale model of the building I hoped to build. as well as one for an alternative building, in the event that I didn't get Tiffany's air rights; because I brought both models to the meeting. I said to Hoving; Look I want to buy your air rights, because that will allow me to build a much better building that you yourself will like much more. By By selling me air rights, you will perserve Tiffany forever No one will ever be able to build over it and therefore no one will every try to rip it down. The other reason to sell, I told Hoving, was that if I didn't have his air right, for technical reasons the City would require me to put in Lot like windows - tiny little windows with mesh, which would look absolutely horrible, rising up fifty stories directly over Tiffany. With his air rights, on the other hand I'd be permitted to put in beautiful pictures windows on the side of the building over looking Tiffany. At that point I showed Hoving the two models - one a magnificent building, which is essentially the design of Trump Tower today, the other my hideous alternative. I'm offering you five million Dollars

I Said to Walter Hoving to Let me persenve Tiffany. In return you're Selling me Something - air rights that you'd never use anyway." Hoving had been at Tiffany almost twenty-five years. He'd built it into an incredible Success, and naturally he took great personal pride in his Creation. I was playing to that, and it worked. He immediately Liked my Concept. Look young man, he said, I am going to make a deal with at the price you're Suggested. I just hope that you do as nice a job as you Say you will, because I want to be proud of it. In the mean-time I have One Small problem. I'm going away with my Wife for a month, and I Won't have time to devote to this until I get back.

Immediately I Started to get nervous. I Said, Gee mr Hoving, that's a big problem because if I have your air rights, I can build a totally different building, and that's the basis on which I'm going to Seek my Zoning Variance. If Some reason you Change your mind while you're away, I'll have done a great deal of architectural work and Zoning work which I'll just have to throw Out.' Walter Hoving Looked at me as if I'd insulted him. Young man

he said, perhaps you didn't understand. I shook your hand. I made a deal with you. That's that. I was speechless. You have to understand where I was coming from. While there are certainly honorable people in the real estate business, I was more accustomed to the sort of people with whom you don't want to waste the effort of a handshake because you know it's meaningless. I'm talking about the lowlifes, the horror shows with whom nothing counts but a signed contract.
With Walter Hoving, I realized, I was dealing with a total different type - a gentleman who was genuinely shocked at any suggestion that he might renege on a deal. He also had a way of talking down, so that he actually made me feel a little guilty for even suggesting that anything could possibly go wrong in our deal.
Several days after he returned, we met to talk over some points in our deal. Sure enough, even as we sat down, two of his executives began to try to talk him out of making the deal by pointing out what had happened in the market. I was upset, but I could see very quickly that Hoving was even more upset.

Gentlemen he Said I Shook hand with his young man Over a month ago. When I make a deal, that's the deal, Whelter It's good one or a bad one. And I trust I Wont have to explain my Self again. That was thee end of that. Later, I heard that Hoving went even a Step further. During this Same period he'd apparently decided to make a deal much bigger than the one with me: to Sell Tiffany. to the Avon Coroporation. I thought Avon was a rather Second rate buyer for a Classy Store Like Tiffany. One the Olther, hand, they d Offered to pay Such an Inflated price that I Couldn't blame Hoving for agreeing to Sell. However, as one of the Conditions of its purchase, Avon wanted Hoving to agree not to go through with the air rights deal with me. Hoving, I heard Stood totally firm. If Avon had a problem with the air-rights deal, he told their executives then they didn't have to buy his Store. They dropped demand and bought the Store, and my deal went through. However, I Learned a Lesson from Walter Hoving. I now employ Some very Large Security people who make absolutely Sure that the Streeet in front of Trump Tower is kept Clean, pristine and free of peddlers.

The piece I wanted was owned by a man named Leonard Kandell. By buying the Overall Bonwit Lease I effectively Controlled the Site but once again, my problem was a Short Lease. It had Less than twenty years to run and also include provisions that made any Zoning Changes practically impossible. Fortunately, Leonard Kandell, Like Hoving, is a totally honorable man. Leonard began in real estate by buying apartment buildings in the Bronx in the thirties and forties. But unLike most Small LandLords he decided to get out when he saw rent Control Coming. He sold all his buildings and Came to Manhattan, Where he began buying up Leaseholds on prime property – meaning the Land under buildings. As the market rose, Leonard became very rich and with none of the problems of having to run the buildings himself. Meanwhile, the Land Lords Who Stayed in the Bronx went down the tubes because sure enough, rent Control proved to be a disaster for them. Leonard is a very generous man and he is also very smart. I ll be fighting Like hell for the Kandell family. By the time I got the Kandell site on 57th Street, it was December 1978 and I was in delicate Situation.

At first I was civil - I tried to explain that one of the key reasons for the success of the atrium is that I was so impeccably well-run. I also said I had no intention of changing our policy, and I suggested to this executive that perhaps he ought to take a day to think about whether he really wanted to push it. He called me back twenty-four hours later, and he said he'd thought about it and he did want to go ahead with cutbacks. That was probably the end of my partnership with Equitable. Much as I liked Equitable, I wasn't about to tamper with something so successful just to save a few bucks. To do that would have been totally self destructive. I was upset, but I was also philosophical, I went to my friend George peacock, the head of real estate at Equitable and I explained that we had a problem, and there didn't seem to be a way out of it. Therefore I wanted to buy out Equitable's share. In a short time we made a deal, and I now own Trump Tower outright. After we'd signed the contracts, I got a letter from George peacock who ended by saying As with most things in life, time calls for changes and it's best to accept that fact. I was very happy to get that letter - It was a classy way to conclude a partnership that had been a class act and from the

Start.

8

Gaming.

The Building on the Board Walk.

The first time the economic of the casino gaming business really came home to me was one day Late in 1975. I was driving in my car, to yet another meeting about the Commodore Hotel deal, when a news report came on the radio. Hotel employes in Las Vegas, Nevada, the announcer reported, had just voted to Strike. Among other Consequences, the Stock price of Hilton Hotels, which Owned two Casinos in Las Vegas, had dropped tremendously. By this time I knew Something about the hotel business, but I was still Stunned. How was it possible that the Stock of a Company that owned at Least a hundred hotels worldwide could be hurt So badly by a Strike against just two of them? When I got back to my office, It took only a Small amount of research to find out the answer. Hilton, It turned out, Owned more than 150 hotels ~~Wo~~worldwide, but It's two Casino hotels' in Las Vegas acounted for nearly 40 percent of the Company's net profit.

By Comparison, a hotel such as the New Hilton - one of the biggest in Manhattan and one I'd always assumed ~~was~~ was a huge success. - accounted for Less than 1 percent of Overall Hilton profits. It was a Sobering thought. For nearly two years, I'd been working day and night to try to build my own huge hotel on 42nd Street. I wasnt getting my approvals, I wasnt getting my financing and it Seemed Highly Likely that the Whole deal was going to fall through. Now, for the ~~~~ first time, it Occurred to me that even if I finally got the hotel built and it became a major Successful in the greatest City in the world, it still wouldnt be nearly as profitable as a moderately Successfull Casino hotel in a Small desert town in the Southwest. By this ~~~~ point I had invested a great deal of time in the Commodore deal, and I tend not to give up on Something I ve Started. But What I did, Shortly after I heard that radio report, was to take a trip down to Atlantic City. A year earlier, a referendum to Legalize gambling throughout the State of New Jersey had badly defeated. Now a new initiative was on the 1976 ballot, to Legalize gambling Solely in Atlantic.

It Certainly Seemed worth Checking out. I've never had any great moral problems with gambling because most of the Objectives Seem hypocritical to me. The New York Stock Exchange happens to be the biggest Casino in the world. The only thing that makes it different from the average casinos that the players dress in blue pinstripe Suits and carry Leather briefcases. If you allow people to gamble in the Stock market, where more money is made and Lost than in all the Casinos of the world put together, I see nothing terribly different about permitting people to bet on blackjack or Craps or roulette. To me, the key questions about Legalizing gambling in Atlantic City were economic. Was the timing right, was the price of entry reasonable, and did the area make Sense as a Location? Atlantic City is 120 miles from New York City on the South Shore of New Jersey, and Once upon a time it was a great resort and Convention Center. But when the Convention business Shifted to bigger Cities in warmer Climates, Atlantic City fell on hard times. I wasn't prepared for how badly things had deteriorated. It Seemed almost Like a ghost town, With burned-out building, boarded up Stores, and the feelings of despair you Sense immediately in places where a Lot of people are Out of work. Ironically, the prospect of Legalized gambling had already Sent Atlantic City Land Values Soaring, particularly along the Boardwalk by the Ocean, Speculators - everyone from Large public Companies to by night Con men had moved in Like Vultures. Families Living in tiny homes that they couldn't have Sold a year earlier for $5,000 Suddenly found themselves being Offered $300,000, $5,00000, and even $1 million. it was a Little ridiculous and I decided not to be one of the Speculators. I didn't Like the I deal of putting up a Lot of pure risk money Say, for example I paid $500,000 to buy a piece of property before the Referendum. If it failed my $500,000 Investment would drop in Value to almost nothing the next day. If the referedum passed, that Same piece of Land might cost me $2 million, but I thought it was a better bet to pay more for a Sure thing. The economic of a Successful casino operation are So Strong that paying a Little more for a good Site would eventually prove to be a Small expense. Sure enough, the referendum passed in November 1976 and was Signed into Law by the middle of 1977.

By then, however, the Grand Hyatt project was finally moving forward and the price of Land in AtLantic City had become more astronomical than I had anticipated. just as I'd done five years earlier in Manhattan when prices seemed too hight I decided to stay on the Sidelines a Little Longer. I knew that if I was patient and kept my eyes open, a better opportunity would eventually arise. Nearly three years passed, but finally, in the winter of 1980, I got a call from an architect I had Looking out for me in Atlantic City. He told me that a certain prime peece of Boardwalk property I'd always been interested in might be avalible. The timing couldn't have been better. for one thing, the first wave of euphoria about the casino business had passed and time were togetter. A few Casinos - Resorts, Golden Nugget, Caesars - were doing terrific business, but the more recent ventures had run into all kinds of problems. Bally, the newest casino in town, had come in at least $200 million over budget. The Tropicana facility, owned by Ramada Inn, was experiencing severe construction delays and enormous overruns. Bob Guccione of penthouse had announced plans to build a Boardwalk casino, only to find after acquiring a site that he couldn't get financing. Hugh Hefner's plans for a playboy Hotel-Casino fell apart after he was turned down for a License by the Casino Control Commission. A half dozen Lesser-known players had come riding into town with great plans, only to be derailed by trouble with financing and Licensing, or intimidated by the huge cost of building a hotel casino. Atlantic City's reputation had also been hurt by charges growing out of the FBI'S Abscam Sting Operation. In 1980, the Vice-Chairman of the casino Control Commission, Kenneth McDonald, resigned after admitting that he'd been in the room when a $100,000 bribe was passed to a Local politician by potential investors Looking for help in getting a casino License. To make matters still worse, the winter of 1980 had been particularly harsh - freezing cold and so windy that in January and February you could barely stand up on the Boardwalk. Suddenly, a city that had been very hot for several years turned very cold, Literally and figuratively. No one was talking about building any more new casinos. It seemed possible that the gaming business in Atlantic City was going to prove to be seasonal at best enough to sustain only a few casinos.

In my view, however, that translated into an Opportunity. The worst of times often create the best Opportunities to make good deals. That's what happened to Bob Guccione, on the Site next door. To this day, underneath the rusting frame of an unfinished building there remains a single-family home that Guccione never managed to purchase. Even if he'd given financing, he would have a problem. Imagine spending $300 million or $400 million on a gleaming, glamorous new facility - but building it around a rotting five room shack. Instead, I set out to leverage my Credibility. I told the owners of the Sites that I was prepared to make a fair deal, and that unlike all the Others before me, I was going to follow through. I pointed out that I had a strong track record when it came to developing property. I also suggested that I might be the only person around who still had the inclination to put this deal together at all. If they couldn't come to an agreement with me, I said they might be sitting on their property for many years to come. Once I finished our negotiations, the final step was approval of the deal by Holiday's board of directors.

In many Situations board approval of management Initiatives is merely a formality. In this case, I worried that Rose might use his board to help him get out of the deal, or atleast force changes in it. Rose Scheduled his annual board of directors meeting in Atlantic City so that the board would have an Opportunity to see the proposed Site and also to asses our progress in Construction. It was the Latter that worried me, since we had yet to do much work on the Site. One week before the board meeting, I got an idea. I called in my Supervisor and told him that I wanted him to round up every bulldozer and dump truck he could possibly find, and put them to work on my Site immediately. Over the next week, I said, I wanted him to transform my two acres of nearly Vacant property into the most active Construction Site in the history of the world. What the bulldozer and dump trucks wasn't important, I said, so long as they did a Lot of it. if they got Some actual work accomplished, all the better but if necessary, he Should have the bulldozers dig up dirt from one side of the Site and dump it on the other. They Should keep doing that I said until I gave him

Other instructions. The Supervisor Looked a little bewildered. Mr Trump, he said I have to tell you that I've been in business for a Lot of years and this is the Strangest request I've ever gotten. But I'll do my best. One week Later, I accompanied top Holiday Inns executives and the entire board of directors out to the Boardwalk. it Looked as if we were in the midst of building the Grand Coulee Dam. There were so many pieces of machinery on this site that they could barely maneuver around each Other. These distinguished Corporate Leaders Looked on, some of them visibly awed. I'll never forget one of them turning to me, shaking his head and saying you know, its great when you're a private guy, and you can just pull out all the stops. A few mintues Later, another board member walked over to me. His question was very simple. How come he said, that guy out there is filling up that hole, which he just dug? This was difficult for me to answer, but fortunately, this board member was more curious than he was skeptical. The board walked away from the Site absolutely convinced that it was the perfect Choice. Three weeks. later, on June 30, 1982 we signed partnership agree.

Our budget was $220 million - $50 million from Holiday directly, $170 million on a Loan they guaranteed, and that included everything: Carrying Costs, Construction, Operating expenses, and required cash reserve. We projected Completion in May 1984 but I was confident we could finish ahead of Schedule and even under budget, based on how Carefully we'd done our planning. One way we stood to save money was from something known as Value engineering. Say, for example, that your architect shows you a certain door he wants to use, which has four hinges on it. Before you approve the door, you have your engineer Look at it, and perhaps he says Look, you only need two hinges to hang that door or three if you want to do a really good job. So you eliminate one ten dollars hinge and you multiply that time 2,000 doors and the saving on that one tiny items comes to $20,000. Another good example was the installation of the cooling towers for our air conditioning system. Originally our architects placed them on the roof of the hotel Tower. Through Value engineering we determined that we'd save a Lot by installing them on a Lower Section of the roof, just Seven floors up, because that roof Could be poured much Sooner. In turn we'd be able able to Start all the piping and electrical work for the air Conditionaning Six months earlier. The Second way we Saved money was by producing Very Compete plans, So that Contractors Could bid on every aspect of the job. When you have incomplete drawings, a Smart Contractor will often Come in and underbid the job just to get it, Knowing he'll be able to more than Cover his Costs through the change Orders that inevitably occur as plans become more Complete. The final thing that helped us keep Costs down was the State of the Construction industry in Atlantic City in the Spring of 1982. The only Casino Still under Construction by then was the Tropicana and thousands of Local Construction Workers were either Out of work or about to be. That gave us a Lot of Leverage with Contractors, we had to either Cover a Certain Overhead or go Out of business. I wasn't Looking to force these guys to make Such bad deals that they'd Lose money. On the Other hand, I was in a position to negotiate very reasonable prices.

I got the building finished right on Schedule for a May 14 ~~may~~ opening. That meant we'd be able to take advantage of the Memorial Day week, traditionally the three biggest days of the year for the Casino business in Atlantic City. I also came in slightly under the original budget at $218 million. It represented the first casino-hotel in Atlantic City ever built on time and on target.

On May 14, the casino opened to a public response that exceeded my wildest expectations. It was a major media event attended by thousands of people, including most of New Jersey's principal officials. The governor, Thomas Kean, was the main Speaker and he was extremely generous in praising what we had accomplished. His praise was echoed by Richard Goeglein, then president of Harrah's who told the crowd that for us to have completed such a huge facility on time and on budget was a near miracle in this day and age. The moment we opened the doors, thousands of people poured in. Everyone was hungry to check out the newest game in town. In a matter of minutes, they were lined up three and four deep at the tables and the slot machines.

It is public management of the facility. But under the agreement I finally made to buy out Holiday's share, I am precluded from saying anything in details about those conflicts. While my attorneys unanimously believe that I would win any legal battle over my first Amendment rights on his issue, that is just not the way I do business. As far as I'm concerned, a deal is a deal, and I live up to what I ve agreed to, even if I don't believe Im technically obligated by any specific contractual provision. Suffice it to say that my ultimate buyout of Holiday Inns share of our casino-hotel in February 1986 was one of my most savored transactions. One reason that I particularly liked owning the facility myself— rather than with any partner - has to do with the value of depreciation. Depreciation is the percentage of the total value of a building that an owner is permitted to deduct each year from a taxable earnings. The rationale is that money spent to maintain a building - to offset its normal wear and tear - shouldn't be taxable. put simply, depreciation permits you to pay lower taxes on your earnings.

For example, ~~if~~ the cost of our facility in Atlantic City was $400 million and we were permitted to depreciate ~~at~~ the rate of 4 percent a year. In other words, if we earned a pretax profit of $16 million, ~~our earnings~~, after depreciation, would actually be reported as zero. Most shareholders and Wall Street types only look at the bottom line which shows a profit reduced by depreciation. As a result, corporate managers dont like depreciation much. It only make them appear successful. But I dont have to please Wall Street, and so I appreciate depreciation. For me the relevant issue isn't what I report on the bottom line, it's what I get to keep. The best part of the deal, however, was the facility I now owned outright. Merely by running it myself I felt certain I could earn a far bigger profit. In addition, I planned to build new suits and restaurants. Financing, of course now become my responsibility. The prime rate had been around 14 percent when I first started looking at property in Atlantic City. By mid-1986, it had dropped to 9 percent. My problem with bank financing, even at these lower rates, was that I'd still be required to put myself personally on the line for the money. I didn't find that appealing.

As a result, I decided to seek public financing for the project, through a bond issue. The downside was that I'd have to pay a higher interest rate to attract buyers, but the upside was that once the issue sold out, I wouldn't be personally liable. In the end, Bear Stearns was able to sell an offering for $250 million which only covered the $50 million cash due to holiday but also permitted me to pay off the $170 million mortgage on the building and left me the money to build a suitable parking facility. Interest payments on the financing came to just above $30 million a year. That was about $7 million a year more than I'd have paid for banking financing, but to me it was money well spent. By relieving me of personal financial liability, it assured I'd sleep better at night. During this same period, I hired a new general manager for the facility, which I had renamed Trump Plaza Hotel and Casino. I looked first at my best competitors. At the time, Stephen Hyde was executive vice president and chief operating officer under Steven Wynn at the Golden Nugget. Before that, he'd worked at the Sands and at Caeasers, both top casinos. When I asked people to name the best casino executives, Hyde was always at the top of the List. As soon as we've met I understood why. He had a Lot of gaming experience, he was a very sharp guy and highly competitive, but most of all, he had a sense of how to manage to the bottom Line. A Lot of managers focus on maximizing revenue since that's what gets reported publicly most often. The smarter guys ~~understand~~ that while big revenues are great, the real issue is the spread between the revenues and costs - because that's your profit. No sooner had I hired Steven than we turned around and hired away a dozen of the best people who'd worked for him over the years, including paul patay, the number one food and beverage man in Atlantic City. I have a very simple rule when it comes to management: hire the best people from the competitors, pay them more than they were earning, and give them bonuses and incentives based on their performance. That's how you build a first class operation. In 1985, the first full year of operation under Harrah's management, the facility earned a gross operating profit of approximately